



# IP Watch™

Intellectual Property Law Alerts from Ober|Kaler's IP Group

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We've been talking to you, our friends and clients. We know the "Great Recession," or whatever moniker is affixed to it, is affecting you and your business in some way. This issue of *IP Watch* attempts to address some of the concerns that you are facing right now, from trimming costs (yes even your legal, IP budget), avoiding or being prepared for litigation, to looking for opportunities for additional revenue streams. As always, if you have any questions regarding these articles or otherwise, please feel free to contact us.

## Reduce Your IP Budget... Not Your IP

### Intellectual Property Group

E. Scott Johnson, Chair  
Royal W. Craig  
Jonathan M. Holda  
Anthony F. Vittoria  
James B. Wieland  
Cynthia Blake Sanders  
Christopher F. Lonegro  
Jed R. Spencer  
Kyle E. Conklin

Carlyle C. Ring, Jr.  
(Counsel)

**Royal W. Craig**  
410-347-7303  
[rwrcraig@ober.com](mailto:rwrcraig@ober.com)

Conventional wisdom advocates a "3 x R solution" when faced with recession: *refocus* on core customer needs, *redefine* your product/services to offer the best value proposition in filling those needs, and *reduce* the costs of providing those product/services. In other words, "better, faster and cheaper" survives the downturn. Nevertheless, when budgets tighten the typical knee-jerk reaction is to cut research and development. That would be a mistake; you should bet your bottom dollar on it. Of course, given any spare change it is also wise to protect the resulting innovation. Intellectual property budgets tend to rise and fall with R&D spending, and during the good times we get complacent with these costs. It pays to take another look now. An IP budget can be significantly reduced without compromising the value of your IP portfolio. If you decide to reduce the IP budget, here are five suggestions:

- 1. Micromanage your foreign patent portfolio.**  
Given weighty exchange rates, yearly annuity payments, and foreign associate costs, a foreign patent portfolio can seem like a money pit these days. Dig your way out by managing these costs more effectively. The choice of foreign associate should not be made without a careful comparison of published rates, and once that choice is made a courtesy discount should be negotiated. These two precautions alone can save 50% or more on foreign filing costs. If you depend on outside counsel to make that choice, ask for quotes in advance, do your own comparison research, and voice hearty displeasure with anything too exorbitant.
- 2. Change your philosophy: preserve but defer your IP costs.**  
With IP, like most things in life, you can get results faster by paying more. Do the opposite. Provisional patent applications serve as a place holder, preserving all patent rights for up to one full year. By filing provisional patent applications you get an earlier filing date and defer half the cost.

Use that year to filter out the wheat from the chaff, and only pursue the most promising. Also, stop worrying about patent restrictions and trademark reclassifications. Cram more information into each application. Once the application is filed all your options are preserved, and you can opt in/out of those divisionals or extra classes at a later time.

3. **Find the right balance between Inside/Outside Counsel.**

A substantial portion of your payments to outside counsel goes toward supporting firm overhead. Dependent on the situation, it may make sense to shift this economic burden to outside counsel, however if you are filing twenty + patent applications per year it might make sense to hire an in-house patent attorney. If not, take heart. We outside counsel are in the same recession as you. We try to justify our existence the same way: by doing what we do better, faster and cheaper. Ensure that your outside counsel has published IP rates, and ask if they will give you a courtesy discount. Bet they will. Use this same approach with other support functions. For example, it may be time to shop around for a new domain name management company. Most will be willing to negotiate on registration and renewal costs, offering discounts based on volume. This alone can save a web-based business thousands of dollars each year.

4. **Lean Litigation**

There are many factors in choosing where to litigate, but comparative forum costs are often overlooked. Litigation in certain District Courts (e.g., Texas, Midwest) tends to cost half as much as others (e.g., New York, Boston, LA). Check the Report of the Economic Survey on Patent Law Costs published every two years by the American Intellectual Property Law Association. Also, hire a busy litigator with an established team that plays fair with opposing counsel. Refrain from rocket dockets, Rambo litigation and scorched-earth discovery where possible.

5. **Jettison Non-essential IP**

First, create a policy to identify non-essential IP...try this...eliminate it if: 1) it is not consistent with your company's core technologies or mission; 2) is not a candidate for licensing to third parties; and 3) has no defensive market value. The cost to acquire it is a sunk cost and should have no effect on this decision. If you decide to eliminate any IP, consider donation to a nonprofit entity. The IRS has allowed tax deductions for half a decade.

In sum, there are numerous ways to rein in IP expenditures without compromising IP.